DOCUMENT RESUME

ED 196 387 HE 013 400

AUTHOR Blaug, Mark
TITLE A Plain Man's Guide to the Finance of British Higher Education.
INSTITUTION Stanford Univ., Calif. Inst. for Research on Educational Finance and Governance.
SPONS AGENCY National Inst. of Education (DHEW), Washington, D.C.
REPORT NO IFG-80-B9
PUB DATE May 80
GRANT OB-NIE-G-80-0111
NOTE 40p.

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Comparative Education; *Educational Finance; Educational Policy; Federal Aid; Fees; Financial Support; *Foreign Countries; Foreign Students; *Governance; Government School Relationship; Grants; *Higher Education; Local Government; Open Universities; Private Colleges; Public Policy; School Organization; State Colleges; Student Financial Aid; Student Rights
IDENTIFIERS *United Kingdom; University of Cambridge (England); University of Oxford (England)

ABSTRACT

An attempt is made to explain the intricacies of British higher education finance in language that is meaningful to an American audience. After a brief description of the bases of the British system, the following issues that have been subject to recent public debates in Britain are considered: (1) the finance of Oxford and Cambridge; (2) the independent university; (3) the open university; (4) grants versus loans; (5) fees for foreign students; (6) the pool for public sector funding; and (7) the financing of student unions. The autonomous sector of British higher education, consisting of 47 self-governing universities, receives almost 95 percent of its income from the central government in the form of a regular annual grant. The maintained sector, consisting of about 800 publicly-owned institutions administered by local governments, is financed by local authorities, which in turn receive two-thirds of their income from the central government. It is suggested that high costs at Cambridge and Oxford are associated with the collegiate system, or federation of some 30 colleges, and the associated emphasis on teaching by small tutorials. (SW)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

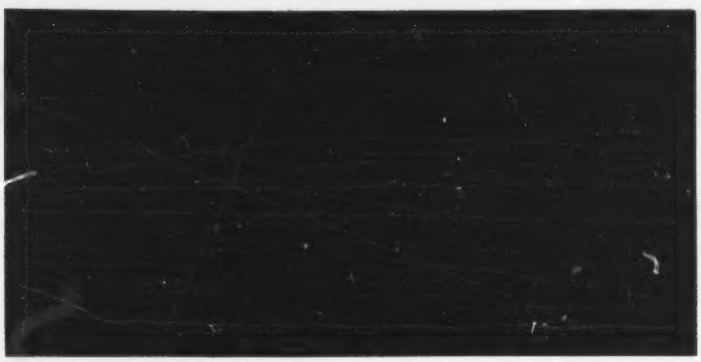
ED196387

HE

IFG

Institute for Research on Educational Finance and Governance

SCHOOL OF EDUCATION STANFORD UNIVERSITY



U S DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLIC

HE 013 400

Program Report No. 80-B9

A PLAIN MAN'S GUIDE TO THE FINANCE OF BRITISH HIGHER EDUCATION

Mark Blaug [1]

May 1980

[1]The author is Professor of Education at the University of London Institute of Education.

The research for this program was supported by funds from the National Institute of Education (Grant No. OB-NIE-G-80-0111). The analyses and conclusions do not necessarily reflect the views or policies of this organization.

JAN 2 6 1981

INSTITUTE FOR RESEARCH ON
EDUCATIONAL FINANCE AND GOVERNANCE

The Institute for Research on Educational Finance and Governance is a Research and Development Center of the National Institute of Education (NIE) and is authorized and funded under authority of Section 405 of the General Education Provisions Act as amended by Section 403 of the Education Amendments of 1976 (P.L. 94-482). The Institute is administered through the School of Education at Stanford University and is located in the Center for Educational Research at Stanford (CERAS).

The Research activity of the Institute is divided into the following program areas: Finance and Economics; Politics; Law; Organizations; and History. In addition, there are a number of other projects and programs in the finance and governance area that are sponsored by private foundations and government agencies which are outside of the special R & D Center relationship with NIE.

Abstract

The purpose of the paper is to explain the intricacies of British higher education finance in language that is meaningful to an American audience, translating, so to speak, from English English to American English. It begins with a brief description of the bare bones of the British system and then roams far and wide over some half-dozen issues that have loomed large in recent public debates in Britain. These issues are: (1) the finance of Oxford and Cambridge; (2) the independent University; (3) the open University; (4) grant versus loans; (5) fees for foreign students; (6) the pool for public sector funding; and (7) the financing of student unions.

The British system of higher education is as little understood in America as the American higher education system is understood in Britain. In fifteen years of living in Britain, I have never met anyone who could grasp that a system of 2,800 institutions could be made to work fairly smoothly without central direction and control and without total reliance on government finance. On the other hand, I have never met a visiting American economist or educator who was not bewildered by "the binary system", the complex but surprisingly generous sytem of student aid, and the relative autonomy of British universities despite their total dependence on government funds. This is not the place to clear up all the misconceptions about British higher education that exist on this side of the Atlantic. I will address myself in this paper almost exclusively to the financial aspects of British higher education, and I will make every effort to express myself in language that is meaningful to an American audience--British education revels in technical jargon that seems at times to be deliberately designed to prevent foreigners from appraising its educational system. I will begin with a brief description of the bare bones of the British system and I will then roam far and wide over some half-dozen issues that have been much in the news in Britain.

1. Some Basic Facts

The British system of higher education is divided into two main parts: the "autonomous sector", consisting of 47 quasi-autonomous, self-governing Universities; and the "maintained sector", consisting of some 900 publicly owned institutions administered by local governments, such as Polytechnics, Colleges of Education and Further Education (FE) Colleges. The two sectors are distinguished, not simply by their different patterns of ownership,

administration and finance, but also by the level and nature of their teaching. The universities confine themselves to teaching for bachelor's, master's, and doctor's degrees but the "maintained sector" also carries out lower-level work of the high school type, as well as part-time, short courses in response to demand from local industry alongside full-time courses leading to a first degree. This is the so-called "binary system", according to which universities are supposed to be academically oriented whereas the polytechnics and FE colleges are supposed to be vocationally oriented. Needless to say, this does not stop universities from teaching medicine, law, and accountancy. Nor does it bar polytechnics from teaching history and sociology. However, universities control their own degrees, while polytechnics and FE colleges have to have their degree-level courses accredited by an independent body, the Council of National Academic Awards (CNAA), which is staffed on a voluntary basis by academics from both universities and polytechnics.

It is important to remember that there is no such thing as a high school diploma in Britain. The legal school leaving age is 16, and half of all British high school students enter the labour market at the age of 16 without any paper qualifications whatsoever. The rest sit for highly specialized, single-subject examinations, which are given at two levels "ordinary" (O) and "advanced" (A). Students start working for O-levels at the age of 14 or 15 and may sit for as many as 10 or 12 of these. (For those unable to pass O-levels, there is a third, lower-level examination called the "Certificate of Secondary Education"). By the age of 16 or 17, having passed some O-levels, students then begin working for A-levels: they need at least two of these to qualify for admission to higher education, although in recent years it has taken three A-levels to actually win a place in a university.

A first-degree course in Britain typically lasts three years (but there are some four-year "sandwich" degrees and medical degrees take five years). Modular degrees based on course credits exist only in a few polytechnics and, in any case, all credits for courses taken in Britain are non-transferable between institutions (in recent years, however, some polytechnics have introduced a two-year "Diploma of Higher Education", modelled on American Community Colleges, with transfer rights to a third year to complete a bachelor's degree). There are no examinations for individual courses at the end of each semester but rather all examinations are taken at the end of the academic year, and frequently only in the first year and in the final third year. Lastly, drop-out rates in British higher education are low by American standards (13% nationally) but so are enrollment rates in higher education (12% of the age-group 18-21 compared to 51% for the U.S.A.). In short, entry standards are so high in Britain that few British undergraduates experience difficulties in completing a degree. Indeed, one reason that the British undergraduate course lasts only three years is that A-levels correspond roughly to the standards of junior-year courses in an average American university. (I speak as one who studied in three and taught in two American universities).

We come now to matters of finance, starting with the "autonomous" sector. British universities receive almost 95% of their income from the central government, most of which is distributed by an intermediate buffer institution, the University Grants Committee (UGC), in the form of a regular annual grant for running expenses and a separate annual capital grant for buildings, furniture and equipment. The remainder consists of research grants from the four public research councils, receipts from catering and residential services, income from private gifts and endowments, and student fees, but the latter are in turn paid mainly by local governments and research councils on behalf of students.

The central government sets targets for student numbers in universities (now running at 280,000), lays down a guideline ratio between broadly defined categories of "arts" and "science" students (47:53), stipulates the proportion that must prevail in each university between the numbers of senior and junior academics (2:3), proposes a level of fees to be charged to students, provides some earmarked grants for particular new developments it wishes to encourage, but thereafter allows universities to spend their income as they like. All these restrictions on how the general grant from central funds may be spent are, strictly speaking, "recommendations" but control over the purse strings typically ensures that UGC recommendations quickly become binding constraints on policy.

It used to be normal practice for British universities to apply to the UGC for funds to cover a five-year period and for the UGC to commit itself to a quinquennial expenditure plan. But the quinquennial planning procedure has broken down since 1973 to become what is in effect a one-year planning period. Successive British governments over the last eight years have failed fully to supplement the proposed grant to make up for the effects of inflation, which rose sharply around 1971 and has remained a two digit number in all but two out of the last nine years. Further, a system of annual cash limits was introduced in 1976 under which universities had to meet some of the effects of inflation out of current economies.

An already confusing picture was further confused by the announcement in June, 1979 of a freeze over the next four years of current expenditure on universities, defined in real terms; at the same time, universities were instructed to charge foreign students the "full economic cost" of their education. In order to ensure that universities will actually implement the latter policy, their annual grant was cut in line with their assumed admission of foreign students,

thus providing them with an incentive to charge higher fees to foreign students to make up the shortfall. But the universities cannot accurately predict how many foreign students they will attract next year at a higher level of fees, which is to say that they can only guess at the fees they can afford to charge, which in turn means that they do not know how much money they will receive from the UGC next year.

As if this were not bad enough, the division of the academic year (October-September) by the government's financial year (April-March) reduces the one-year planning period to an effective 6-months planning horizon. Thus, for example, in July, 1979, British universities received an overall grant of $49.5m.[1] for the period August, 1979-March, 1980, of which half was meant to cover an increase in faculty salaries which had then been secured retroactively for the financial year 1978-79 (British faculty salaries are uniform across all universities; they are nationally negotiated and salary increases are frequently back-dated because the negotiations take so long); then in November, 1979, they received an inflation supplement of $78m., of which the amount had been uncertain until the last minute; the next statement on recurrent grants for the current academic year 1979/80 comes in April, 1980, and even now in February, 1980 no university knows for certain how much it will receive in April. Clearly, this makes forward planning somewhat difficult.

So much for the finance of the "autonomous sector". The "maintained" or public sector is financed in the first instance out of the local revenues of what in Britain are called "Local Authorities", who in turn derive almost

---

[1]All pound sterling figures in this paper are converted into dollars at the rate £ = $2.25, the exchange rate ruling in February, 1980.

two-thirds of their income from the central government. Since public sector institutions are unequally distributed between Authorities but take students from all over the country, the expenditures of Local Authorities on first-degree courses in public institutions (catering to some 200,000 students) are "pooled" and this pool is supervised by a national pooling committee, serviced and chaired by the Department of Education and Science (DES), the current name for the British ministry of education.

Turning now to the way in which British students are financially supported, any student who has passed at least two A-levels and who has secured a place at a university or polytechnic to study for a first degree is entitled to receive a "mandatory" grant covering his fees, a small books-and-travel allowance, and his "maintenance" or living expenses, the latter element in the grant being scaled inversely to parental income. At the discretion of Local Authorities, students on courses below the level of a first-degree may also be given a small grant (these "discretionary" grants comprise in total only 10% of funds disbursed in the form of "mandatory" grants). In addition, students in Colleges of Education on teacher training courses also receive full-value, "mandatory" grants. Finally, there are some state scholarships for mature students over 25 years of age and there is also a system of grants for 50,000 postgraduates, paid either by Local Authorities or one of the research councils. Adding all these student grants together, we get a figure for 1978-79 of $1.35b., with grants to 425,000 full-time undergraduates and training teachers taking the lion's share (45%).

2. Oxbridge

With this outline of the entire system before us, we plunge into the first of our key policy areas, namely, the peculiar features of Oxford and Cambridge that set them apart from other British universities. In some sense, Oxford and Cambridge with 12,600 and 11,700 students respectively may be compared to the American Ivy League colleges, except that they are no more and no less "private" in a legal sense than any other British university. The difference derives from the fact that Oxford and Cambridge are both federations of some 30 colleges; each college is a legally independent and autonomous corporation owned by the teaching "Fellows" of the college and subject to the "parent" university only in respect of specific statutory claims: each college controls its own admissions and finances up to a maximum joint college-university salary payable to the Fellows. Many of the colleges, as distinct from the central universities of Oxford and Cambridge, have large endowments whose incomes enable them to do things that other British universities cannot do. Nevertheless, some 85-90% of the total income of all Oxford and Cambridge colleges derives from the central government, which is only a little less than the 95% figure for the rest of the British university system.

Virtually every generalisation that one might wish to draw about the finance of British higher education requires an exception to be made for the case of Oxford and Cambridge. The famous Robbins Report on British higher education in 1963 complained bitterly of the obscurity of Oxford and Cambridge's reporting system that made it virtually impossible to

compare their performance to other universities.[2] What is clear is that they pay their faculty more than other British universities; small group tutorials are the principal method of instruction, in consequence of which they have higher staff-student ratios than elsewhere; a higher proportion of Oxbridge students live "in college" than at other British universities (halls-of-residence in British universities are typically located on the university campus) and the standards of board and lodging is higher at Oxbridge than elsewhere; they operate a dual fee system, whereby students pay fees to their college in addition to university fees and these combined fees exceed fees at any other British university; to cancel the effects of their extra endowment income, their direct grants from the UGC are lower than elsewhere; still, adding it all together, there is simply no doubt that Oxbridge students are better off than university students elsewhere in Britain, whether measured in terms of amenities, facilities, or intensive teaching received.

Neither Oxford nor Cambridge deny that they are more expensive than other British universities but they do deny that this imposes additional burdens on the general taxpayer.[3] For example, Oxford's endowment income,

---

[2]Robbins Report, Higher Education. Report of the Committee under the Chairmanship of Lord Robbins. London: HMSO, Cmnd. 2154, para. 687. In response to Robbins, Oxford launched its own inquiry (University of Oxford, Report of Commission of Inquiry under the Chairmanship of Sir Oliver Franks. Oxford: Clarendon Press, 1966). Cambridge, however, refused to rise to the bait.

[3]It would be more correct to say that they usually do not deny it. Sir Alan Cottrell, the vice-chancellor of Cambridge, did recently deny the fact that Oxford and Cambridge are more expensive universities once allowance is made for the high cost of special national institutions attached to both universities, such as copyright libraries and major museums (Times Higher Education Supplement, October 6, 1978, p. 6).

expressed on a per student basis, was in 1963-64 $471 greater than the average per student endowment of other British universities; its tuition fees were also higher than in other universities by $106 per student but against this, its direct grants from central and local government were $333 less than other universities.[4] It follows that Oxford spent $227 per student out of its endowment income to make up the deficiency in financial assistance from the State, or, alternatively expressed, the higher costs of Oxford use up a little more than half of the income derived from endowments, the remainder being used, so to speak, to relieve the general taxpayer.

By no means all the Oxbridge colleges are wealthy. At Oxford, the plutocrats are Christ Church, St. John's, All Souls and Nuffield, with annual endowment incomes in 1974-75 ranging from $1-1.5m., but there are also small colleges, like St. Anne's, St. Hilda's and St. Catherine's, whose annual endowment income is as little as $25,000. At Cambridge, the rich colleges are Jesus, Gonville-and-Caius and Trinity, with the latter having an annual endowment income in 1977 of almost $4m., which is said to make it the third wealthiest private institution in Britain after the Crown and the Church of England, but again there are many relatively poor colleges.[5] Both universities operate pooling schemes to

---

[4] See next page for footnote.

[5] For Oxford, see the complete 1964 listing in the Franks Commission Report, I, p. 290, Table K; for recent years, see Times Higher Education Supplement, March 25, 1977, p. 7. For Cambridge, see "Abstracts of the Accounts of the Colleges in the University of Cambridge", Cambridge University Reporter, March 13, 1978, Vol. XVIII, Special No. 10, and Times Higher Education Supplement, October 14, 1977, p. 8.

[4] Income and Expenditure in Oxford University for 1963-4 Expressed per $ per Student

	Oxford	All British Universities except Oxford, Cambridge, East Anglia and York
Income		
Endowments	500	29
Grants: Central & Local	1,062	1,395
Research grants	292	212
Student fees (excluding board and lodging fees)	275	169
Other	47	86
Total	2,176	1,891
Expenditure		
Teaching & research staff	878	815
Libraries	142	63
Other	470	447
General educational expenditure	88	60
Maintenance of premises	313	268
Administration	153	128
Miscellaneous	34	74
Total	2,078	1,855

Source: Franks Commission Report, I, p. 157, Table 1.

Note: For similar but less detailed figures referring to 1973-74, ten years later, see Times Higher Education Supplement, March 25, 1977, p. 7.

which all the colleges contribute in proportion to their endowment income and from which equalising grants are made to the poorer colleges. Despite these efforts, however, the gap between the rich and the poor

colleges has diminished little over the last 25 years. The richer colleges generally charge somewhat lower fees to students but they are still left at the end of the day with higher per student incomes available for spending: their extra income shows up principally in better pay and better fringe benefits for the Fellows, more teaching Fellows per student and particularly more non-teaching junior "Research Fellows", better student accommodation, better-stocked and better-staffed libraries, more research studentships, more student scholarships (these rarely exceed $200 a year), and more student prizes for outstanding performances.

Some additional explanation is in order on the intrinsically fascinating subject of Oxbridge faculty salaries. As I said earlier, all British academics, wherever they are employed, are paid in accordance with uniform salary scales that are determined by collective agreements between the Association of University Teachers[6] and DES; universities are free to recruit individuals to any point on the scales but, thereafter, promotions are automatic with age within the scale categories (Lecturers, Senior Lecturers, and Readers) except for Professors where discretion is permitted within a small band; all British academics are tenured after a two-year probationary period and, in practice, almost 95% of British academics apart from Oxford and Cambridge have tenure. However, this national salary scheme does not apply to Oxford and Cambridge. The total monetary earnings of an Oxbridge faculty member may be made up of many different sources: a university stipend, a college fellowship stipend, a college lecturer stipend or "retaining fee", a university examining fee, a payment for offices held at the college or university, a college piece-rate teaching payment, and a

---

[6]The AUT with 30,000 members is recognised as the official trade union of university teachers and administrators throughout the United Kingdom.

college housing award (some single fellows still live "in college" rent-free and others live in college housing at subsidised rents), although of course few will be in receipt of all these benefits. The Franks Commission agreed that earnings at Oxford were about 18% above the national average but, on the other hand, so was the average age and educational qualifications of Oxford fellows; standardizing for age and educational qualifications and allowing for the fact that there are also extra examination fees in some other British universities, Franks concluded that total monetary earnings at Oxford exceed what would be paid elsewhere to faculty of comparable age and qualifications by something between 4 and 18%, with the true figure lying nearer the upper than the lower end of this range.[7]

And all this says nothing about fringe benefits: almost all Fellows of colleges and some stipendiary lecturers are entitled to lunch and dine at their college free of charge on a number of days per week; some colleges purchase private medical insurance for their Fellows, and sometimes even for members of their families; in addition, married Fellows may be given mortgage loans at privileged interest rates.[8] No wonder then that 20% of British university teachers in 1970 testified that they would prefer a fellowship at an Oxbridge college to a professorship in another university.[9]

Among the characteristics of Oxbridge that has attracted almost continual criticism is the narrow basis of its admission policies. Alone among British universities, Oxford and Cambridge require an entrance

---

[7] Franks Commission Report, I, pp. 171-2; also II, pp. 348-9. See also G. Williams, T. Blackstone, and D. Metcalf, The Academic Labour Market. (Amsterdam: Elsevier Scientific Publishing Company, 1974), p. 256.

[8] Franks Commission Report, I, pp. 182-3.

[9] Williams, Blackstone and Metcalf, op.cit., p. 519.

examination in addition to high grades for at least three A-levels and they both have traditional relationships with certain private boarding schools (called "public schools" - just to confuse foreigners) who normally prepare their students to sit the Oxbridge entrance examinations. This used to involve extra language requirements, like Latin, and even an extra year in the "Sixth Form" (the last two years of high school), which naturally loaded the dice against students from State schools. The Robbins Report showed in 1963 that as many as 70% of the male undergraduates at Oxbridge had received their secondary education at a private school, the proportion elsewhere being 30%.[10] Since then the Oxbridge colleges have made some attempt to broaden their admission procedures and to attract schools who would not normally encourage their students to apply to Oxford and Cambridge. Nevertheless, many of the standard criticisms of a "public school" bias, relying on the "old boy" and "old girl" networks, still applies. In recent years, the picture is somewhat confused by the increase in the number of places for women (from 11.7% in 1968 to 22.1% in 1977 at Cambridge) and the corresponding decline in those for men: the private schools have been the main beneficiaries from the increased proportion of female students, while the state schools have taken the brunt of the decline in the proportion of male students. As a result, the state school applicant now has only a one-in-three chance of getting an Oxbridge place as against an even chance for his or her private school counterpart.[11]

---

[10] J.M. Ross, P. Case, "Who Goes to Oxbridge?", New Society, May 19, 1966, pp. 11-3.

[11] For Cambridge, see "Student Numbers", Cambridge University Reporter, August 16, 1978, Vol. CVIII, Special No. 16, pp. 15, 17; and Times Higher Education Supplement, March 9, 1976, p. 8, October 14, 1977, p. 9. For Oxford, see "Statistics for 1978 Entry", Oxford University Gazette, September 28, 1978, Supplement 1 to No. 3744, p. 25; and Times Higher Education Supplement, March 25, 1977, p. 7.

Oxbridge's narrow base for student applications has a social class as well as a school-type dimension. The national proportion of higher education students who are working class, defined as having fathers in manual occupations, is about 25% - a figure that, incidentally, has remained virtually unchanged for three decades. In the 1950s, the corresponding figure was 13% for Oxford and as low as 9% for Cambridge, and even now it stands at 13% at Cambridge, having fallen from 15% a few years earlier.[12] Criticism of the class bias in student admissions at Oxbridge is frequently linked to complaints about the overwhelming dominance of Oxbridge graduates in all the top occupations in British society: Oxbridge accounts for 75% of British diplomats, 85% of the chief judges and magistrates, 58% of the big clearing bank directors, 77% of the leading posts in the Church of England, 50% of the vice-chancellors of British universities, 25% of all British academics, and nearly 70% of the upper echelons of the British civil service.[13] The Oxbridge preponderance in the top ranks of the civil service is often attributed to the fact that the proportion of Oxbridge graduates applying to become civil service trainees is higher than the proportion from other British universities; moreover, a higher proportion of Oxbridge graduates have first class degrees (British university degrees are issued by classes and only 5-10% of undergraduates earn a first class degree) and the civil service naturally gives preference to better qualified applicants. But this standard explanation has recently been denied: it has been shown that candidates from Oxbridge get a better subjective assessment in interviews

---

[12] For Cambridge, see "Student Numbers", Cambridge University Reporter, 1978, op.cit., p. 16. No figures for Oxford appear to be available for recent years.

[13] D. Boyd, Elites and Their Education (Slough: National Foundation of Educational Research, 1976). The figures refer to 1970.

than their objective scores and qualifications would seem to justify.[14]

Such arguments have carried us far afield from financial issues. On balance, it is somewhat surprising that almost everything about Oxbridge has been vigorously criticised except its intricate and secretive system of finance. For universities so dependent on public finance as Oxford and Cambridge, both have managed to an amazing extent to remain publicly unaccountable for the ways in which they spend their money. Even the Franks Commission Report complained as long ago as 1966 of the parlous state of Oxford college accounts that made it impossible to compare figures for board and lodging in Oxford colleges with halls-of-residence statistics at other British universities[15] and college accounts at both Oxford and Cambridge remain as opaque today as they ever were. For years, the government had no control over the fees Oxbridge colleges decided to charge with the result that the consolidated college-university fee at some Oxford colleges exceeded the national average by as much as $1,000 in 1978, the excess at Cambridge being somewhat less at around $750 - and these fees are paid by the public authorities! Only last year, DES secured the right for the first time to negotiate an average annual increase in fees with each college, its original proposal of uniform fees for each college having been defeated; it will be up to the colleges themselves to decide which should charge more than the average and which should charge less but a committee elected by the colleges will sort out the agreed inter-college transfers, none of the difference falling on the students themselves. One

---

[14] A study by R. Mays of Nuffield College, Oxford, Times, December 18, 1979, p. 16.

[15] Franks Commission Report, I, pp. 167-9.

can only marvel that it has taken so long to bring about this minimum fiscal reform.

Oxbridge "dons" are quick to respond to all criticisms[16]: Oxbridge does more research - it does, by almost any measure[17]; Oxbridge staff are better - they are, measured in terms of degree classes and doctorates[18]; employers, and even other universities, act as if Oxbridge graduates are also better - true again[19]; Oxbridge dons may earn more than faculty elsewhere but that is only a quid pro quo for the greater insecurity of teaching at Oxbridge (only about half of Oxbridge dons have tenure); the tutorial system of instruction is superior to every other method - perhaps, but its higher costs are rarely taken into account; Oxbridge courses may be highly specialized but a jack-of-all trades is master of none; Oxbridge may have admission bias towards middle class children from private schools but the situation is improving all the time and will soon be put entirely right; and, besides, what is wrong with centers of excellence?; must we be all alike?

These arguments come back in the final analysis to questions of finance. The root cause of the high academic running costs of Oxbridge is, undoubtedly, the collegiate system and the associated emphasis on teaching by small tutorials. If the alleged benefits of the system are really great enough to justify the extra costs, one may wonder why the new universities of

---

[16]Even Marxist dons, like Raymond Williams at Cambridge and Christopher Hill at Oxford, defend Oxbridge at every occasion.

[17]Williams, Blackstone, and Metcalf, op.cit., pp. 342, 368, 372.

[18]Ibid., pp. 44-5.

[19]Ibid., p. 200.

Lancaster, Kent, York, Essex and Sussex were not given sufficient money when they were set up in the 1960s to duplicate the Oxbridge formula. It is no answer to say that Oxbridge bears some of these higher costs itself. Yes, some but not all; a portion of its higher costs are paid for by the State and to that extent ought to be accountable to the State, which to this day they are not. Oxbridge continues to claim its right to judge itself, a privilege which other British universities have been forced to forgo in recent years.

3. The Independent University

The Labour Party, and the British Left in general, displays a somewhat ambivalent attitude to the role of private finance in education. There are repeated demands from the extreme Left to abolish "public schools" altogether, although the center of the Labour Party endorses the recommendation of the Public Schools Commission, which is to integrate private schools into the State system by a policy of using public funds to buy at least half of the places in "public schools" for pupils who would normally be attending State schools; the ultimate aim of this policy is to transform the ethos and character of "public schools" by increasing the proportion of pupils from underprivileged homes (remember: British "public schools" are largely boarding schools).[20] There is little interest in a policy of separating the "public schools" entirely from State schools on the grounds that private education should be financed entirely from private money; at present, "public schools" are indirectly subsidised by exemptions from business and property

---

[20] The Public Schools Commission, First Report, London: HMSO, 1968, I, p. 123. The present Tory government has in fact adopted the letter although not the spirit of this policy with the so-called "assisted places scheme".

taxes, by tax relief to parents and grandparents who pay covenanted fees in advance, and by the purchase of sponsored places by central and local government, to the tune of about 25% of their income.[21] Even in higher education, there is no objection to the Oxbridge system of mixed public-private finance and little demand for better integration of Oxbridge into the general system of higher education in Britain. But when an entirely privately financed university was first proposed in 1969, there was a general outcry against the idea from virtually the entire political spectrum in Britain.

The advocates of the Independent University promised to break away from national salary scales, to do away with halls-of-residence, to innovate new curricula and new methods of instruction, and to charge cost-covering fees while providing scholarships for poor students and commercial loans for nearly every student, all within the setting of a large university of 10,000 students providing the full range of subjects and courses. Now, ten years later, the Independent University College at Buckingham is a going concern, offering courses in Law, Economics, Politics, History, European Studies, Accounting, and Financial Management to some 300 students at fees that run around $8,000 per year; unable to date to obtain a Royal Charter (which entitles an educational institution to issue something called a "degree") and having failed to gain approval from the CNAA, it issues a "license" after two years of study made up of 8 terms of ten weeks each (as against the 9 terms of ten weeks each over 3 years elsewhere in British universities). These "licenses" are recognised by some of the professional associations in Law, Banking and Accountancy as equivalent to a degree from any other

---

[21] H. Glennerster, G. Wilson, Paying for Private Schools. London: Allen Lane The Penguin Press, 1970, pp. 35-40.

British university, and even by some British universities for purposes of admission to their graduate schools. About 10% of the 300 students are on scholarships and bursaries, including "discretionary" grants from a few local governments, only a few are in receipt of loans from local banks at fully commercial rates of interest, and over half are privately financed foreign students.[22]

The University College at Buckingham has departed radically from the traditional academic year (February to January instead of October to July), its salary scales do not correspond to national salary scales for university teachers, and it gives its faculty of 30 members one term off in every four. Apart from such innovations, however, it continues to teach and examine its students by traditional methods and its standards are those of all the other publicly financed British universities (it is possible to make such an assertion in the British case because all British universities, including University College, employ "external" examiners with ultimate veto power over grades to guarantee uniformity of the standards of qualifications; in short, what small differences there are largely express themselves in the proportion of students at various institutions earning different classes of degrees). In the meanwhile, it continues to be miniscule in size compared to the typical British university of 10,000 students or even the typical size of a large London or Oxbridge college of 2,000 students. It is currently engaged in a fund drive to build up its capital reserves and hopes to expand to 600-800 students in five years. As an experiment in going-it-alone without reliance on State finance, therefore, it remains an extremely qualified

---

[22] Much of this information comes from J. and J. Pemberton, The University College at Buckingham. Buckingham: Buckingham Press, 1979.

success. Strangely enough, even this much is denied by most authorities on British higher education, whose usual reaction to the University college at Buckingham is to ridicule it as a finishing school for the children of the rich.

4. The Open University

The Open University, a distance-learning center for 80,000 students, offering a wide array of courses taught by radio, television, and correspondence, and financed directly by the DES outside the regular budget for British universities, is generally regarded as one of the success stories of post-war British higher education. It is with some effort that one recalls the original purpose of the Open University, which, as its name implies, was to provide second-chance higher education to adults who had failed to gain the standard entry qualifications of 2 A-levels, or, who, for whatever reasons, were unable to attend a full-time tertiary institution. However, in the process of defending itself against the charge of lowering standards, the Open University was soon driven to adopt the same admission requirements as other British universities (although it does make it somewhat easier for applicants to substitute work experience for A-level qualifications), in consequence of which it has been more successful in providing postponed higher education to those who were in fact qualified to receive it than in providing second-chance higher education to the unqualified. The bulk of the students at the Open University were and are housewives and secondary school teachers (many of whom are not university graduates) and even now doubt remains as to whether the Open University is really more open to women, to working class students, and to educational "failures" than other British universities and polytechnics. A related issue is whether its achievements

have been purchased at higher or at lower costs per student and, indeed, whether its degrees (despite the "external" examiner system) are fully comparable to those from more traditional institutions.[23]

5. Grants versus Loans

British "maintenance" grants to students in higher education are generous by world standards: there is an annual minimum payment of $450 which everyone receives and then there is a supplement, varying inversely with parental income, which reaches a maximum at $2,475 with an additional allowance for living in London of $584. The precise level of the supplement depends, not on parents' gross income, but on their "residual" income after deducting income tax, social security contributions, pension payments, life insurance premiums, mortgage interest payments, and allowances ranging from $1,023-$1,305 for other dependent children. For example, if parents' residual income is $9,000, the student loses $169 of his maximum grant (or as the British express it: "the parents' contribution is $169"); if parents' residual income is $18,000, the student loses $1,306; and if it is $36,000, they lose as much as $2,061. A quick, back-of-the-envelope calculation shows that if the father is a university professor, owning an average-sized house with average mortgage payments, holding a standard life insurance policy, and there is one younger brother or sister in the house, the oldest son or daughter going to university outside London will receive an annual maintenance grant of $1,468 for three years. To place that figure in

---

[23]For whiffs of the debate, see M. Blaug, J. Mace, "Recurrent Education - The New Jerusalem", Higher Education, August, 1977, pp. 294-95, and J. Mace, "Mythology in the Making: is the Open University Really Cost-Effective?", Higher Education, August, 1978.

perspective, we need to add that the average British factory wage for an 18-year old is $4,5000.[23a]

Data on the distribution of parental contributions under the maintenance grants system have been published since 1976-77.[23b] Unfortunately, to infer the underlying distribution of income of parents with offspring in higher education, we would have to know the distribution of all the allowable deductions from taxable income, and these are not generally available. In consequence, we have to make do to this day with crude figures on the occupations of fathers.

The peculiarity of the British grants system is that it is only available to students in higher education: There are no "mandatory" grants for those who stay on in school after the compulsory leaving age of 16 in order to gain the required A-levels for entry into higher education. This creates the anomalous situation whereby an unemployed 17-year old attending a part-time education course is eligible for welfare payments (so-called "supplementary benefits") up to $26 a week; if he is taking a full-time training course under the Youth Opportunity Scheme, he will in fact receive payments of $44 a week; but if he is a full-time, high school student studying for his A-levels, he will be solely dependent on his parents. The last Labour Government announced the introduction of a statutory system of student

---

[23a] These figures pertain to 1979-80. Maintenance grants for 1980-81 are to be raised by almost 15 per cent over current levels: the minimum maintenance grant, which all students receive regardless of parental income, is to go up to $866 a year, and the starting point for contributions from parents will be raised to a "residual income" of $13,000; the maximum rates for students living at home will rise to $2,531-$3,814, depending on whether students live at home or away from home in London. The total cost of mandatory student awards is expected to be about $900m. in 1980-81.

[23b] DES, Statistics of Education 1977, Vol. 5. London: HMSO, 1978, Table 19, p. 34.

awards for the 16-18 year age-group but lost the election before it had managed to introduce the necessary legislation. The present government has no intention of doing anything about grants to secondary school students, thus maintaining the incongruous system of subsidising only those students whose parents were able to keep them at school full-time between the ages of 16 and 18.

Despite the fact that maintenance grants in higher education are fairly generous, there are continual complaints that many students live on or below the poverty-line. The grants system is based on the notion that parents will contribute the difference between the grant actually received and the maximum grant which is payable but repeated surveys have shown that many parents fail to pay their contribution; some indeed categorically refuse to do so on the grounds that the age of 18 is the age of legal "majority" in all other respects. Nor can students easily supplement their grants by working during vacation time. They are allowed to earn up to $1,125 without jeopardising their grant but it is not easy to find work during the Christmas, Easter, and Summer breaks because the grant runs all through the year on the theory that students are studying during their vacations; in consequence, British universities provide no employment opportunities on campus and indeed refuse to operate employment exchanges for part-time work; in short, it is up to the student to find work and he can expect no sympathy from his teachers on the grounds that he has to support himself.

The natural answer to this income dilemma for students is a loans scheme, or perhaps a mixed grants/loans system as is common in Germany and The Netherlands. But if there is one common element to all British views on the finance of higher education straight across the political spectrum from Left to Right, it is that any idea of loans to students is anathema. There

are, of course, a number of British economists who have come out in favour of income-contingent loans for higher education students, first in the 1960s during the debates following the Robbins Report and then more recently in the 1970s.[24] But apart from economists, there has been no support of any kind for a revision of the grants system and for the introduction of a loans scheme, if only to supplement a system of grants. It is not even widely known in Britain that virtually every European country now operates some sort of loans scheme, although only the Scandinavian countries rely on it to provide the bulk of student income.[25]

When in 1969 Shirley Williams, Labour Minister of State for Education, proposed her famous "13 points for reducing costs per student of university education", which included a reduction or removal of student grants coupled with a loans system, the Committee of Vice-Chancellors, an informal body of spokesmen for British universities, promptly rejected it; they were even scathing about such a policy at the postgraduate level as a "top up" for grants maintained at existing levels. In 1974, the Education and Arts Subcommittee of the House of Commons Select Committee on Expenditure made a similar proposal,[26] and this time it was categorically rejected by DES in a White Paper, Education: A Framework for Expansion (1976); the Minister of State for Education at the time was Mrs. Thatcher, the present Prime Minister.

---

[24]For a quick history of the debate in the 1960s, see M. Woodhall, "Methods of Financing Higher Education", Contemporary Problems in Higher Education. An Account of Research, eds. H.J. Butcher and E. Rudd. London: McGraw-Hill, 1972, pp. 352-55. For recent years, see M.A. Crew and A. Young, Paying by Degrees (London: Institute of Economic Affairs, 1977); C. Carter, "Not Enough Higher Education and Too Many Universities", The Three Banks Review, September, 1979; L. Robbins, The Taming of Government (London: Institute of Economic Affairs, 1979, p. 88, which marks a personal conversion since the Robbins Report; and The Economist, December 22, 1979, p. 17.

[25]See M. Blaug and M. Woodhall, "Patterns of Subsidies to Higher Education in Europe", Higher Education, August, 1978.

[26]Postgraduate Education. Third Report from the Commons Select Committee Expenditure, Sessions 1973-74. London: HMSO, 1974.

Clearly, the prospect for the introduction of a loans scheme in Britain is not bright.

Whatever happens to the idea of loans, it would be desirable to integrate student maintenance grants entirely with the system of unemployment compensation. Better still would be an "educational entitlement" for all 18-year olds to a number of years of study on an appropriate course at any point in their lives at a maintenance grant corresponding to the rate of unemployment compensation at that point in their careers.[27] If unemployment compensation could be pushed back to the age of 16 years, this would finally overcome the absurdity of subsidising higher education students only after they have been made to rely entirely on private finance for two years or more. No doubt, all such notions amount to little more than spitting into the wind. Britain is a conservative country: never more so than when it comes to the question of reforming the present system of student aid.

6. Foreign Students

Britain is the only country in Europe apart from Belgium to charge higher fees to foreign than to home students and, indeed, it is now virtually the only country in Europe to charge fees of any kind in universities and colleges.[28] In the current academic year, annual fees for British undergraduates are $1,339; for postgraduates they are $2,003. For 95% of British higher education students, such fees are a matter of indifference because they are paid by local governments as part of the "mandatory" grant. For foreign or overseas students, however, fees do matter and these now stand at $1,679 for undergraduate courses and $2,768 for graduate courses.

---

[27] As proposed by G. Williams, "Higher Education Finance Into the 1990s", Times Higher Education Supplement, June 2, 1978, p. 9.

[28] See Blaug and Woodhall, op.cit., pp. 332-3.

The policy of charging foreign students more than home students was first introduced by the Labour Government in 1967. All fees were raised in 1975 and since then they have been raised on three separate occasions with fees for foreign students always set higher than the fees for home students. In November, 1979, all fees were raised once again but this time a wholly new principle was introduced for foreign students, namely, fees differentiated by fields of study. As of 1980-81, foreign students studying "Arts" subjects will be charged $4,500; those studying "Science" subjects will be charged $7,750; and those studying "Medicine, dentistry and veterinary science" will have to pay annual fees of $11,250. In the meanwhile, the definition of "foreign" student has been steadily tightened up over the 1970s: at one time, any student could establish residence in Britain by a period of full-time study lasting three years, after which he paid fees as a home student; then in 1978, this residence qualification was limited to students from Commonwealth countries and in 1979 even this loophole was closed; from now on, a foreign student remains a foreign student for purposes of paying fees no matter how long he or she resides in the United Kingdom.

The new subject fees for foreign students announced last year were said to have been determined by the "full economic cost" of educating foreign students in the three fields in question, which can only mean the average accounting costs of all students in those fields. But if so, it is not clear why such fee levels should not be charged to home students, at least for book-keeping purposes. All questions about marginal costs of students being larger or smaller than average costs were hopelessly confused by the simultaneous announcement that an absolute ceiling was to be placed on the number of home students an institution might attract. In other words, if the new higher fees for foreign students result in a decline in

foreign demand, universities and polytechnics are not allowed to substitute additional home students for fewer foreign students. Moreover, while institutions cannot be forced to charge the new fees for foreign students, they will from now on receive subsidies only in proportion to their home students and must bear the losses or reap the profits on whatever number of foreign students they manage to attract.

It is evident that the motive behind these changes is to cut public expenditure on higher education via the politically popular route of making foreign students pay their way, thus invoking what we might call "the contributory principle of government expenditure". For over ten years, successive governments have been urging the universities and polytechnics to limit the ever-rising flood of foreign students by a system of quota restrictions. Such requests for country quotas were always turned down and indeed the institutions themselves went out of their way to enlist still more foreign students. In that sense, the new policy may be interpreted as a punishment for the unwillingness of higher education institutions to conform to government wishes. However, it is interesting to consider the efficiency implications of higher fees for foreign students.

The outstanding study of the costs of British universities, published in 1976, concluded that marginal undergraduate costs in individual departments were almost everywhere less than average costs - British universities are generally too small - while marginal postgraduate costs followed no systematic patterns across subjects.[29] In other words, British universities

---

[29] See D. Verry and B. Davies, University Costs and Outputs. Amsterdam: Elsevier Publishing Company, 1976, chap. 7. They also show that Science courses are three times as expensive per student as Arts courses, which is a much greater difference than those stipulated in the new subject fees recommended for foreign students.

were well advised to recruit more foreign undergraduates and in some cases more foreign postgraduates, the more so as the bulk of foreign students are to be found in three fields of specialisation - engineering and technology, pure science, and social, administrative and business studies - of which at least the first two are notorious for having "empty places" and hence underemployed faculty. The problem is that foreign students are highly unequally distributed, across institutions, across levels of study, and across fields of study: they congregate in London, Oxbridge and Manchester; they amount to only 8% of undergraduates but to 35% of post-graduates; and of the 120,000 foreign students in Britain, at least one-third are taking high-school courses at FE Colleges or else are taking professional courses in private schools of law, nursing and accountancy. And their numbers have grown relentlessly along a steady trend despite the increases in fees since 1967. Lastly, the major sending countries are, in order, Malaysia, Iran, Nigeria, and Hong Kong, followed with a gap by the U.S.A., Greece, France, Ireland and Switzerland.

Public debate on the problem of foreign students has been marvelously confusing. There is "the contributory principle of government expenditure", which we have already mentioned, which is frequently cited as a more or less self-evident normative principle of public finance (although it is violated in the case of the British National Health Service, which is available to any foreign tourist). There is the foreign-aid argument to poor countries, which blithely ignores the fact that one-quarter of foreign students are in receipt either of a British scholarship, made available solely to students from Third World countries, or a government scholarship from their own country, which are largely but not exclusively Third World countries. Besides, many privately-financed students from poor countries are richer than privately-financed students from rich countries. Naturally, it is also argued that

the marginal cost of extra foreign students is virtually zero, which would be true if they were allocated to specific departments in specific institutions. In addition, it is said that they confer peculiar benefits to Britain. Firstly, they earn "good will" for Britain and become cultural "ambassadors" for the British cause on return to their own country. However, the case of Iran and Nigeria raises some doubts about this argument. Secondly, they confer educational benefits by rubbing British students against foreigners in a teaching situation. Unfortunately, there are far too many British courses, particularly at the postgraduate level, that consist entirely or almost entirely of foreign students, in which case there can be little educational benefit to British home students. Thirdly, there are also said to be a series of concrete economic benefits: in science-based departments, foreign graduate students carry out valuable pieces of scientific research; in engineering departments, foreign students acquire a familiarity with British engineering products, which leads eventually to more export orders of engineering goods; foreign students add credit to the balance of payments; and foreign students stimulate domestic employment. It is easy to see that some of these assertions may be true, while others simply involve economic fallacies: if Britain wants to earn foreign currency, the question is not whether foreign students add to visible earnings but whether subsidising foreign students is the cheapest way to stimulate tourism. Anyway, nobody knows whether any of these assertions are true because the subject of foreign students has so far been little studied.[30]

In the meanwhile, British universities and polytechnics stand poised to absorb the shock of a drastic reduction in foreign students in the next

---

[30] But see London Conference on Overseas Students, Overseas Students: A Subsidy to Britain. Report of the Working Party on the Costs and Benefits of Overseas Students in the UK (London: London Conference on Overseas Students, 1979), an extremely crude attempt to show that the cost-benefit ratio is less than unity. The Overseas Students Trust, a private body concerned with the welfare of foreign students in Britain, has just launched a number of studies to improve knowledge about the political, educational and economic costs and benefits of foreign students.

academic year, particularly in fields like science and medicine. Given the high proportions of tenured British academics, it will take five to ten years to get rid of underemployed faculty by means of "natural wastage". The temptation, in these circumstances, to lower admission standards and to accept all comers on a frankly commercial basis may prove irrestible. Unless such courses for weak foreign students can be totally insulated from regular courses for home students, overall standards and certainly faculty morale will fall. This possibility is perhaps the most unfortunate feature of the new government policy on foreign students.

7. The Pool for Public Sector Funding

The present system of financing degree-level education and teacher training outside the universities is based, as we mentioned earlier, on a system of pooling the costs among the Local Authorities in England and Wales. Local authorities put in claims for funds to the pool dependent on the proportion of "advanced further education" provided in the colleges they fund, which is assessed by the proportion of the faculty salary bill spent on providing advanced further education or teacher training. In Britain's 30 polytechnics, where most of the teaching work fulfils the pooling criteria, 85% of the funding comes from the pool, with a further 14% coming from tuition fees and only 2 or 3% directly from the local property taxes. Local authorities contribute to the pool in proportion to their population and the rateable value in their district but the funds are redistributed in proportion to school population and the fraction of local taxes falling on business property before the claims for advanced further education are satisfied. The burden on small rural authorities with low school enrolments is therefore eased at the expense of large urban authorities with a high income from industrial property; likewise, authorities who have few higher education institutions

to fund but a large population using facilities in other authorities are thereby forced to share in the total costs of advanced further education.

The pooling system has been repeatedly criticized for being too unwieldy to be accountable and for imposing a disproportionate burden on urban, industrial areas with large working class populations.[31] Responding to pressures to reform, the DES set up a commission in 1976 to propose new solutions to the problem of the funding of public sector institutions. The Oakes Report on the Management of Higher Education in the Public Sector reported in 1977 and recommended the scrapping of the pool and its replacement by a nationally funded body for Advanced Further Education analogous to the UGC for universities. In theory, Local Authorities would still continue to maintain Polytechnics and FE Colleges but, in practice, they would lose control over them because they would be responsible under the new arrangements for providing only 15% of the cost of their individual colleges.[32]

The Oakes Report was rejected almost in its entirety, partly because it would undermine still further the continually dwindling powers of local government and partly because the notion of a Grants Commission for Advanced Further Education (GCAFE) was regarded as impractical. The UGC has difficulties looking after 44 universities in England and Wales and its responsibilities are more limited than those envisaged by Oakes for the new GCAFE: it would have to approve developments in almost 100 institutions with more than 90% degree-level work, another 57 with a substantial stake in higher education, and a further 264 colleges with some degree-level work, or 418 institutions in all. It would take a mammoth committee with a secretariat

---

[31]See P. Leurs and R. Allemano, "Fact and Fiction About the Pool", Higher Education Review, Spring, 1972; D.J. Brown, "Resources in Advanced Further Education - A Critique of the Pooling Committee's Work", ibid., Summer, 1973; and P. Leurs, "Finance and the Fate of Polytechnics", Polytechnics: A Report, by J. Pratt and T. Burgess. London: Pittman, 1974, pp. 110-26.

[32]For an analysis of the recommendations of the Oakes Committee Report, see Times Higher Education Supplement, February 24, 1978, p. 4.

of 2-300 individuals to carry out this task.

The abandonment of the Oakes recommendations and the introduction of temporary cash limits on polytechnic spending have led to new demands to reform the pooling system. A new scheme, based on the recoupment method in use for elementary and secondary schools, is currently being investigated. It would mean that the cost of a student's education in one local Polytechnic or FE College would be paid for directly by the student's Local Authority instead of being paid for indirectly via the pool. Advocates of the recoupment scheme claim that it would end the need for national management of polytechnic financing and bring market forces to bear on inefficient local governments, forcing them to reduce the costs of the higher education they provide. At bottom, the inefficiency of certain public sector institutions and the difficulties of forcing Polytechnics to maintain target staffing ratios when the cost pressures are both indirect and remote is the abiding problem of the existing pooling system. The pooling committee laid down Polytechnic staff-student ratios of 9.2-10.2 for classroom-based subjects and 7.5-8.5 for laboratory-based subjects. A recent report by the Inspector of District Audit found that only 14 Polytechnics out of 30 had achieved these ratios; of the remaining 16, there were some who operated staffing ratios of 5 or 6. Despite the technical difficulties of such calculations in institutions where teachers teach both full-time and part-time students, and degree-level as well as below-degree-level students, there is little doubt that some British Polytechnics are scandals of inefficiency. The United Kingdom has yet to invent a method of financing its higher education outside the universities in such a way as to ensure that it will obtain value for money.

8. Financing Student Unions

We close our survey by touching on a minor but bizarre aspect of the finance of higher education in Britain, which must puzzle American readers. British undergraduates, unlike American undergraduates, are highly organized and represented by a national body, the National Union of Students (NUS), which claims a membership of 1.2m. students. The NUS negotiates directly with DES to secure periodic increases in the level of student maintenance grants: its local representatives also operate the Student Union at each university and polytechnic, which typically comprises a meeting hall, a coffee bar, a swimming pool, and various other recreation facilities for students. The Student Union is financed by student subscriptions, ranging from $45-$115 at different institutions, but these are paid automatically by Local Authorities as a regular part of the "mandatory" student grant. The total costs of running Student Unions in 1976-77 was just under $30m., which is about 5% of the entire cost of the students' grant system.

During the days of student militancy in the late 1960s, some Student Unions were found to have voted funds for political purposes and this led to an effort to make Student Unions fully accountable for the public money they spend. When Mrs. Thatcher was Secretary of State for Education in the early 1970s, she fought to make the payments of student subscription to Student Unions a voluntary matter for individual students (as in Australia) but she lost the fight after opposition from both the NUS and the universities. The NUS regards a State-guaranteed income as necessary for the survival of Student Unions, although it does now accept the principle of public accountability of the expenditures of Student Unions. The new Tory government has just announced a fundamental change in the financing of Student Unions:

from September, 1981, the income of Student Unions will come out of the recurrent funds of universities allocated through the UGC, which is to say that Unions will have to negotiate with individual universities for the cash they need. Both the NUS and the universities have condemned the proposal, fearing that it will promote an annual dogfight about the level of students' subscriptions. In the meanwhile, however, the underlying premise that membership of Student Unions should continue to be automatic seems to have gone unchallenged to this day.

9. By Way of a Conclusion

British universities and polytechnics are facing a financial crisis. The government's cash limits for universities have over the last few years consistently underprovided for rising costs due to inflation, in consequence of which university income has declined by between 3 and 6%. In addition, there have been a number of separate ad hoc cuts in both recurrent grants to cover running expenses and capital grants to cover building programs. Finally, the government has now withdrawn all financial support for foreign students, other than funds available through foreign aid programs, and to enforce the new set of fees for foreign students, a huge sum of $243m., something like 13% of university income, will be progressively withdrawm from the total grant to universities over the next three years. Although these measures are presented as giving priority to British students, there will be no transfer of public funds from foreign to British students, whose number have in fact been frozen at existing levels. All this has come as a great shock to British academics who for years have looked unquestioningly to the State to provide them with funds to finance a slowly expanding system of higher education without the bureaucratic controls and constant interference that is so often associated with excessive reliance on public money.

Assertions that the British university system is the most expensive system in the world in costs per student, that the level of student aid is more generous than anywhere else in the West, and that the system is far too inflexible to permit its continual expansion have always been brushed aside in the past.[33] It may be that the new era of financial stringency will finally puncture the age-old complacency of British academics and promote a vigorous debate on the structure, management and finance of higher education in the British Isles. If so, the budget-trimming of the last and the next few years may have done some good after all.

---

[33] See, for example, the Association of University Teachers, Universities at Risk (London: AUT, 1980), which constitutes a veritable omnibus of all the traditional defenses of the British university system.